



**DEPARTMENT OF THE TREASURY**  
**INTERNAL REVENUE SERVICE**  
**1100 Commerce Street, MC 4920DAL**  
**Dallas, TX 75242**

**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

Number: 202110026  
Release Date: 3/12/2021  
UIL: 501.03-00

**Date:**  
September 18, 2020  
**Taxpayer ID Number:**

**Form:**

**Tax Period(s) Ending:**

**Person to Contact:**

**Identification Number:**

**Telephone Number:**

**Fax Number:**

**CERTIFIED MAIL –Return Receipt Requested**  
**LAST DAY FOR FILING A PETITION WITH THE TAX COURT:**

Dear :

This is a final determination that you do not qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), effective January 1, 20XX. Your determination letter dated October 4, 20XX is revoked.

Our adverse determination as to your exempt status was made for the following reasons:

Organizations described in IRC Section 501(c)(3) and exempt under Section 501(a) must be both organized and operated exclusively for exempt purposes. You have not demonstrated that you are organized and operated exclusively for charitable, educational, or other exempt purposes within the meaning of Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. You have not established that you are organized and operated exclusively for an exempt purpose.

As such, you failed to meet the requirements of IRC Section 501(c)(3) and Treasury Regulations Section 1.501(c)(3)-1(a), in that you have not established that you were organized and operated exclusively for exempt purposes and that no part of your earnings inured to the benefit of private shareholders or individuals.

Contributions to your organization are no longer deductible under IRC Section 170.

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms, and information please visit [www.irs.gov](http://www.irs.gov).

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of IRC Section 7428 in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims, or 3) the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed within 90 days from the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment by referring to the enclosed Publication 892. You may write to the courts at the following addresses:

United States Tax Court  
400 Second Street, NW  
Washington, DC 20217

U. S. Court of Federal Claims  
717 Madison Place, NW  
Washington, DC 20439

U. S. District Court for the District of Columbia  
333 Constitution Ave., N.W.  
Washington, DC 20001

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

We'll notify the appropriate state officials (as permitted by law) of our determination that you aren't an organization described in IRC Section 501(c)(3).

You may be eligible for help from the Taxpayer Advocate Service (TAS). TAS is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit [www.taxpayeradvocate.irs.gov](http://www.taxpayeradvocate.irs.gov) or call 1-877-777-4778.

Taxpayer Advocate assistance can't be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

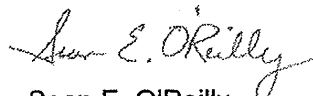
You can get any of the forms or publications mentioned in this letter by calling 800-TAX-FORM (800-829-3676) or visiting our website at [www.irs.gov/forms-pubs](http://www.irs.gov/forms-pubs).

If you have any questions, you can contact the person listed at the top of this letter.

Sincerely,

Enclosures:

Publication 892



Sean E. O'Reilly  
Director, Exempt Organizations Examinations



**Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities  
Exempt Organizations Examinations**

Date: October 15, 2019

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact:

Employee ID:

Telephone:

Fax:

Manager's Contact Information:

Employee ID:

Telephone:

Response Due Date:

**CERTIFIED MAIL – Return Receipt Requested**

Dear \_\_\_\_\_ :

**Why you're receiving this letter**

We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that we propose to revoke your tax-exempt status as an organization described in Internal Revenue Code (IRC) Section 501(c)(3).

**If you agree**

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(3) for the periods above.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

**If you disagree**

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the

IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

**If we don't hear from you**

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

**Contacting the Taxpayer Advocate Office is a taxpayer right**

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit [www.taxpayeradvocate.irs.gov](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

**For additional information**

You can get any of the forms and publications mentioned in this letter by visiting our website at [www.irs.gov/forms-pubs](http://www.irs.gov/forms-pubs) or by calling 800-TAX-FORM (800-829-3676).

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

*Denise Gonzalez for*

Maria Hooke  
Director, Exempt Organizations  
Examinations

Enclosures:  
Form 886-A  
Form 6018  
Publication 892  
Publication 3498

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended <b>December 31, 20XX</b>

**ISSUE:**

Whether \_\_\_\_\_, continues to qualify for exemption as an organization described in the Internal Revenue Code (IRC) Section 501(c)(3).

**FACTS:**

\_\_\_\_\_ was incorporated under the laws of the State of \_\_\_\_\_ as a non-profit corporation on September 6, 20XX for the purpose of the following:

“To beautify and improve the streetscape of \_\_\_\_\_ between \_\_\_\_\_ and \_\_\_\_\_ for the benefit of the residents of this block, and to engage in other activities to improve the quality of life of the residents of this block.”

The Article of Incorporation that were provided with the Form 1023-EZ did not have proof of filing or adoption from the state. The purpose and dissolution clause were as follows:

“The \_\_\_\_\_ is organized exclusively for charitable and educational purposes, including for such purposes the making of distributions to organizations that qualify as tax exempt organizations under Section 501(c)(3) and Sections 501(c)(4) of the Internal Revenue Code or the corresponding section of any future tax code.

Upon the dissolution of the corporation, after payment of and or making provisions for all costs and expenses of dissolution and all liabilities and obligations of this corporation, the remaining assets shall be distributed by the Directors of the Corporation for one or more exempt purposes within the meaning Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code, or the corresponding section of any future tax code. Any such assets not so disposed of shall be disposed by a Court of competent jurisdiction of the county in which the corporation shall have its offices at the time of dissolution.”

On October 4, 20XX \_\_\_\_\_ was recognized to be exempt from federal income tax as an organization described in IRC Section 501(c)(3).

During an interview on July 11, 20XX, the organization’s confirmed the following activities are conducted on \_\_\_\_\_ Street for the benefit of residents of this block:

- Planting of flowers and greenery in front of houses and commercial property, in tree pits, and on stoops on the block.
- Block clean-up where all residential and commercial property front yards, sidewalks are broom swept and tidied while all refuse is packaged for sanitation.

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- Block Party with activities for residents of all ages (i.e. children's games, face painting, music, dancing, food and refreshment)
- Greenest Block Contest offered by (residents and commercial property owners on different blocks compete for the greenest block designation by following guidelines provided by the ). This is not organized by , but the residents on participate in this contest.

The activities specific to addressing greenery and clean-up takes up 0% of the organization's time and resources. The Block-party takes up 0% of the organization's time and resources. The organization's clerical work and meetings take up 0% of the organization's time and resources.

**LAW:**

IRC § 501(c)(3) exempts from federal income tax organizations which are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Treasury Regulations § 1.501(c)(3)-1(d)(i) states that an organization may be exempt as an organization described in 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, educational, or prevention of cruelty to children or animals.

Treasury Regulations § 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Treasury Regulations § 1.501(c)(3)-1(b) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must pass the organizational test. The organizational test requires an appropriate purpose and dissolution statement limited to the organization's exempt purpose.

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Name of Taxpayer		Year/Period Ended <b>December 31, 20XX</b>

Treasury Regulations § 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3)

Revenue Ruling 75-286, 1975-2 CB 210, (July 1975) A nonprofit organization with membership limited to the residents and business operators within a city block and formed to preserve and beautify the public areas in the block, thereby benefiting the community as a whole as well as enhancing the members' property rights, will not qualify for exemption under section 501(c)(3) of the Code but may qualify under section 501(c)(4).

#### **TAXPAYER'S POSITION:**

The organization's representative declared that the organization has been operating in accordance with the information that provided on the Form 1023-EZ. The organization continued operating as such because the organization's exemption request was granted on those grounds.

#### **GOVERNMENT'S POSITION:**

Per Treasury Regulations § 1.501(c)(3)-1(b), an organization's purpose and dissolution clause are required to be limited to one or more exempt purpose under IRC 501(c)(3).

The purpose clause is as follows:

"The \_\_\_\_\_ is organized exclusively for charitable and educational purposes, including for such purposes the making of distributions to organizations that qualify as tax exempt organizations under Section 501(c)(3) and Sections 501(c)(4) of the Internal Revenue Code or the corresponding section of any future tax code."

The dissolution clause is as follows:

"Upon the dissolution of the corporation, after payment of and or making provisions for all costs and expenses of dissolution and all liabilities and obligations of this corporation, the remaining assets shall be distributed by the Directors of the Corporation for one or more exempt purposes within the meaning Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code, or the corresponding section of any future tax code. Any such assets not so disposed of shall be disposed by a Court of competent jurisdiction of the county in which the corporation shall have its offices at the time of dissolution."

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Both clauses include provisions for 501(c)(4) purposes. Therefore, does not pass the organizational test because the clauses do not limit the organization's purpose to exclusively one or more purposes specified in the Internal Revenue Code Section 501(c)(3) nor limit the organization's assets to organization specified in the Internal Revenue Code Section 501(c)(3).

As demonstrated in Rev. Rul. 75-286, an organization with membership limited to the residents and business operators within a city block and formed to preserve and beautify the public areas in the block, thereby benefiting the community as a whole as well as enhancing the members' property rights, will not qualify for exemption under section 501(c)(3) of the Code. Therefore, does not pass the operational test.

**CONCLUSION:**

does not qualify for exemption under 501(c)(3) of the Code because it does not pass the organizational and operational test.

The effective revocation date will be January 1, 20XX.

**If you agree to this conclusion, please sign the attached Forms.**

**If you disagree please submit a statement of your position.**